

Message Text

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ACTION EUR-12

INFO OCT-01 IO-10 ISO-00 AID-05 CEA-01 CIAE-00 COME-00

EB-07 EA-07 FRB-03 INR-07 NEA-10 NSAE-00 OPIC-03

SP-02 TRSE-00 CIEP-01 LAB-04 SIL-01 OMB-01 INT-05

STR-04 L-03 H-02 SAM-01 PA-01 PRS-01 USIA-06 EURE-00

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P R 312105Z OCT 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC PRIORITY 4788

INFO USMISSION GENEVA

USDEL MTN GENEVA

USMISSION EC BRUSSELS

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E.O. 11652: N/A

TAGS: ETRD, OECD, FR

SUBJ: FRENCH VIEWS ON STEEL PROBLEM: "MANIFEST
CRISIS" AND OECD CONSULTATIONS

REF: OECD PARIS 28241

1. SUMMARY: WHILE THERE IS SOME DOUBT AS TO
UNANIMITY OF GOF POSITION ON
WHETHER EUROPEAN STEEL INDUSTRY IS IN STATE
OF "MANIFEST CRISIS" MINISTER OF INDUSTRY
D'ORNANO HAS PUBLICLY EXPRESSED HIS VIEW THAT
"MANIFEST CRISIS" EXISTS AND HAS CALLED UPON EC
AUTHORITIES TO "ASSUME RESPONSIBILITIES THE TREATY
OF PARIS DEFINES FOR THEM". ON BASIS OF D'ORNANO'S
STATEMENT FRENCH STEEL INDUSTRY BELIEVES IT HAS GOF
SUPPORT FOR INVOCATION OF PARIS TREATY ARTICLE 58
WITH IMPLICATIONS FOR BOTH INTERNAL MARKET REGULATION
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AND RESTRAINT OF IMPORTS. FRENCH STEEL INDUSTRY CONSIDERS

EC PROPOSAL FOR OECD CONSULTATIONS TO BE "TOO LITTLE TOO LATE". EMBASSY IS ATTEMPTING TO ASCERTAIN GOF POSITION AND REGISTER OUR CONCERN OVER DANGER OF IMPORT RESTRICTIONS. END SUMMARY.

2. ACCORDING TO AFP, FRENCH INDUSTRY MIN MICHEL D'ORNANO, IN RECEIVING SPINELLI OF EC COMMISSION ON OCT 24, STATED THAT GOF " WAS WAITING FOR EC AUTHORITIES TO ASSUME, IN RESPECT OF THEIR INTERNATIONAL OBLIGATIONS, RESPONSIBILITIES TREATY OF PARIS DEFINES FOR THEM," AND THAT, IN HIS VIEW STATE OF "MANIFEST CRISIS" EXISTS IN EUROPEAN STEEL INDUSTRY.

3. FOLLOWING UP ON THE AFP DISPATCH AND SUBSEQUENT ARTICLES IN FIGARO (OCT 25), LE MONDE (OCT 26-27) AND FINANCIAL TIMES (OCT 27), EMBOFFS HAVE ATTEMPTED TO CLARIFY GOF POSITION VIS-A-VIS "MANIFEST CRISIS" UNDER ARTICLE 58 OF THE TREATY OF PARIS AND FRENCH ATTITUDES TOWARD PROPOSED CONSULTATIONS IN THE OECD.

4. OUR CONTACTS IN MINISTRY OF FOREIGN TRADE HAVE REVEALED THAT D'ORNANO'S STATEMENT DID NOT RECEIVE INTER-MINISTERIAL CLEARANCE AND DOES NOT NECESSARILY HAVE FULL SUPPORT OF GOF. (IN EMBASSY VIEW, IT IS HIGHLY UNLIKELY D'ORNANO WOULD MAKE SUCH A STATEMENT WITHOUT SOME BACKING FROM PRIME MINISTER CHIRAC OR PRESIDENT GISCARD.) WE ARE TRYING TO MEET WITH APPROPRIATE OFFICIALS IN D'ORNANO'S MINISTRY TO CLARIFY GOF INTENTIONS AS WELL AS TO REGISTER U.S. CONCERN OVER DANGER OF PROTECTIONIST MEASURES.

5. IN MEETING WITH HIGH OFFICIAL OF FRENCH IRON AND STEEL INSTITUTE, EMBOFF WAS TOLD THAT FRENCH IRON AND STEEL INDUSTRY IS CONTINUING TO EXERT MAXIMUM PRESSURE TO BRING ABOUT DECLARATION OF "MANIFEST CRISIS" UNDER TREATY OF PARIS. SEVERAL IMPORTANT STEEL FIRMS, NOT NECESSARILY FRENCH, WILL GO UNDER

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WITHIN SIX MONTHS IF THIS ACTION IS NOT TAKEN SWIFTLY, HE SAID. IN HIS VIEW, PROPOSED CONSULTATIONS ARE "TOO LITTLE TOO LATE" AND MERELY AN ATTEMPT TO AVOID FACING UP TO THE ISSUE.

6. THE OFFICIAL MADE IT CLEAR THAT WITH D'ORNANO'S STATEMENT, FRENCH IRON AND STEEL INDUSTRY BELIEVES IT NOW HAS FULL SUPPORT OF GOF AND THAT, IN FACT, A STATE OF MANIFEST CRISIS WILL SOON BE DECLARED.

7. OFFICIAL CONTINUED THAT INSTITUTE PRESIDENT JACQUES FERRY'S POSITION IS CLEAR: WHEN CRISIS IS MANIFEST, MEASURES MUST BE TAKEN; HOWEVER, IN STATE OF MANIFEST CRISIS ONE MUST BE VERY CAREFUL ABOUT PRACTICAL MEASURES ACTUALLY TAKEN. RAISING OF TARIFFS IS NOT CALLED FOR BUT CERTAIN CONTINGENCY MEASURES (PRESUMABLY IMPORT LIMITED OFFICIAL USE

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CONTROLS) INVOLVING JAPAN, KOREA, SPAIN, AND EASTERN EUROPE MAY BE JUSTIFIED. U.S., HE SAID, POSES NO PROBLEM FOR EC IN IRON AND STEEL TRADE.

8. WHEN QUESTION OF PROTECTIONISM WAS RAISED, INSTITUTE OFFICIAL STATED THAT FERRY IS NOT A PROTECTIONIST AND THAT MEASURES TO BE TAKEN UNDER TREATY OF PARIS WOULD BE FOR SHORT PERIOD TO MEET IMMEDIATE CRISIS. HE STATED THAT IN IRON AND STEEL SECTOR TWO VERY DIFFERENT THINGS ARE NEEDED: (1) PROVISIONAL

MEASURES UNDER TREATY OF PARIS TO FACE EXTRAORDINARY
AND DEEP CRISIS, AND (2) LONGER TERM ORGANIZATION
OF STEEL MARKET. THESE TWO ISSUES, HE EMPHASIZED,
SHOULD NOT BE CONFUSED.

9. COMMENT: OUR FULLER UNDERSTANDING OF GOF
ATTITUDES TOWARD BOTH INVOCATION OF ARTICLE 58 AND
PROPOSED OECD CONSULTATIONS WILL HAVE TO AWAIT
FURTHER CONTACTS WITH GOF OFFICIALS PARTICULARLY
MINISTRY OF INDUSTRY. HOWEVER, IT IS CLEAR AT THIS
TIME THAT FRENCH IRON AND STEEL INSTITUTE BELIEVES
ITS DRIVE FOR DECLARATION OF MANIFEST CRISIS IS
FULLY BACKED BY GOF.
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